

August 28, 1997

Office of the Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Request for Partial Reconsideration
and Clarification, Report & Order, CC Docket 96-45

Pursuant to Section 1.429(h) of the Commission's Rules, the National Association of State Telecommunications Directors ("NASTD") hereby submits the instant Reply to Opposition to its Request for Partial Reconsideration and Clarification ("Request") of the Universal Service Report and Order, CC Docket No. 96-45 (May 7, 1997) ("Order").

In its Request, NASTD urged the Commission to recognize that the concentration of service aggregation responsibilities in state telecommunications organizations as agents for networks including eligible schools and libraries often is the most efficient way to ensure the smooth administration of universal service discount support to such eligible end users. Request at 3. NASTD asked the Commission to address and clarify a number of issues relating to such state administrative responsibilities.

In a consolidated opposition to several petitions, the United States Telephone Association ("USTA") urges the Commission to reject two positions taken by NASTD.¹ First, USTA challenges

¹ USTA mistakenly charges NASTD with seeking clarification that state networks are eligible for support for the provision of services to eligible schools and libraries. USTA at 6. However, NASTD only seeks clarification of a state network's role as agent for the provision of such services to qualified school and library end users. Request at 2. While for the sake of administrative efficiency, NASTD believes that state networks should at least have the option of paying full price to service providers and being reimbursed directly from the universal service fund themselves, such an arrangement is for administrative convenience only, and does not place the state networks in the role of supported service providers.

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the legitimacy of extending universal service discounts to eligible schools and libraries which participate in state networks including non-eligible entities when such networks are able to obtain special tariff or off-tariff service rates. USTA at 7. USTA states that incumbent LEC regulations require that such networks only be offered interstate tariff prices.

NASTD recognizes USTA's concern with current incumbent LEC pricing rules. However, NASTD has only submitted that if ineligible entities are of a type that historically have been included in state networks that have obtained special tariffed rates or off-tariff rates in compliance with FCC and state PUC requirements, then such entities should continue to be allowed to participate in such networks and to receive such special tariffed or off-tariff rates without imperiling the ability of other eligible network users to receive the universal service fund discount.² NASTD is not suggesting that the Commission allow participation by entities in state networks not already authorized under current LEC rate regulations.³ USTA's opposition is groundless.

Second, USTA challenges NASTD's request that states, at their option, may use the standard rates charged by state telecommunications organizations to schools and libraries as pre-discount rates against which universal service discounts would be applied. USTA at 7. USTA argues that such rates should not include administrative costs which it characterizes as non-eligible.

Again, NASTD is committed to the most efficient administration of state telecommunications networks and the corresponding benefit provided to all schools and libraries served by such networks. As NASTD has stated previously, given the way most such networks are assembled, it would be impractical, if not impossible, to break the services supplied down into individual elements for purposes of identifying how

² The Commission recognized such networks in Paragraph 483 of its Order: "ILEC's will be free to offer differing, including lower, rates to consortia consisting of section 254-eligible schools and libraries, eligible health care providers, state schools and universities, and state and local governments." Order at ¶483.

³ NASTD again reiterates its support for the "explicit congressional directive of providing preferential rates to eligible schools and libraries with a minimum of public interest harm." Order at ¶483. Of course, only eligible members of the networks would receive the universal service discount.

much discount should apply to each component. Request at 2.⁴ Furthermore, most such standard rates are already subject to federal scrutiny. State government networks serving users which receive federal funding already are obliged to operate according to OMB Circular #A-87, Cost Principles of State, Local and Tribal Governments, which regulates allowable costs and charges in the setting of standard rates for their services. Given the current federal oversight of standard rates charged by states to all their network users, including schools and libraries, and the administrative burden and cost which would be created if the state networks were forced to unbundle such rates for purposes of universal service discount calculations, the Commission should reject USTA's position and allow state networks the option to use such standard rates as the pre-discount rate.

NASTD continues to hope that the Commission will recognize the states' unique role in the provision of telecommunications services to schools and libraries, and will provide a mechanism that will allow participation in the universal service fund program by NASTD members in the least burdensome manner. For this reason, NASTD urges the Commission to reject USTA's Opposition and to clarify its Universal Service Order as requested by NASTD.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Jim Gay (RAG)".

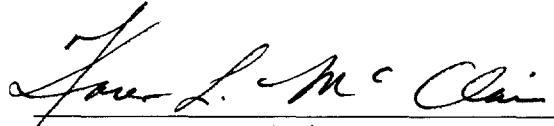
Jim Gay, President
National Association of State
Telecommunications Directors
c/o The Council of State
Governments
Iron Works Pike
P.O. Box 11910
Lexington, KY 40578-1910

⁴ For the same reason, NASTD urged the Commission to allow state networks the option to pay full price to the various service providers from which they obtain the components of their service package, and to receive reimbursement themselves directly from the universal service fund.

CERTIFICATE OF SERVICE

I, Karen L. McClain, a secretary with the law firm of Reed Smith Shaw & McClay LLP, do hereby certify that this 28th day of August, 1997, I have caused the foregoing "Reply to Opposition to Petition for Partial Reconsideration and Clarification" to be delivered via first class mail, postage prepaid, to the following:

Mary McDermott, Esq.
Linda Kent, Esq.
Keith Townsend, Esq.
Hance Haney, Esq.
United States Telephone Association
1401 H Street, N.W., Suite 600
Washington, D.C. 20554



Karen L. McClain